

APPOQUINIMINK SCHOOL DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING
AGREED-UPON PROCEDURES

B E L F I N T

L Y O N S &

S H U M A N

CERTIFIED PUBLIC ACCOUNTANTS



Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Valerie A. Woodruff
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19903-1402

Dr. Tony Marchio
Superintendent
Appoquinimink School District
118 S. Sixth Street
Odessa, DE 19730-4010

Dear Secretary Woodruff and Dr. Marchio:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (the DOE) and School District (the District) solely to assist you, the specified parties in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Section 525. Procedures were performed for student accounting and enrollment as of September 30, 2006. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2006. Management is responsible for the District's internal control over compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

STUDENT ENROLLMENT

Agreed-Upon Procedure Number 1: Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

Finding: Based on the obtainment of the District's written policies and procedures it is our determination that the policies and procedures set forth by the District for preparing, reviewing and reporting the September 30 student count are adequate.

Agreed-Upon Procedure Number 2: Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Finding: The Delaware Department of Education's A Summary of Delaware Code and Department of Education Regulations for Student Accounting for the September 30 Enrollment and Unit Computation states:

“... each school shall maintain September enrollment records in a manner that will allow for efficient enrollment audits.”

Our review of the count determined that 13 regular education students at Middletown High School who qualified to be counted in the District's September 30 unit count were not included. These 13 students would have provided the District with an additional unit. It is our determination that the error could have been prevented with a more thorough review of enrollment figures at the school level.

Recommendation: It is our recommendation that the District and schools thoroughly review enrollment figures in order to properly report enrollment figures to the DOE.

District Response: The District determined that 13 of our regular education students were marginal due to sporadic attendance during the 10 day unit count period. The decision to not count them was made rather than count them and then have a finding and lose the unit and the funding associated with it. The District has established an internal procedure to try to ascertain with more certainty the viability of a student being counted based upon guidelines established by the Department of Education.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five “Individualized Education Program” (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE's Administrative Manual for Special Education Services and calculate the dollar impact of disallowed students, if applicable.

Finding: We found that all files selected were current and contained the required documentation in accordance with DOE's Administrative Manual for Special Education Services.

Agreed-Upon Procedure Number 4: Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Education Programs and confirm that the students' files contain the required documentation in accordance with the DOE's Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

Finding: The District only reported students in the Cooperative Education Program. We found that all files selected were current and contained the required documentation in accordance with the DOE's Administrative Directives.

AUTHORIZED POSITIONS

Agreed-Upon Procedure Numbers 1 and 2:

- Determine if the District's control procedures for monitoring, tracking and reconciling the number of employees are adequate.
- Determine if the District's control procedures for monitoring and tracking salaries charged to the State's general fund are adequate.

Finding: Based on the obtainment of the District's written policies and procedures it is our determination that the policies and procedures set forth by the District comply with the State of Delaware Budget Policy Manual.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

Finding: When comparing the actual paid number of positions by category to the number of authorized positions as determined by the State it was determined that the District was operating within its number of authorized positions by category.

Agreed-Upon Procedure Number 4: Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

Superintendents =	100%
Assistant Superintendents =	100%
Principals =	100%
Directors =	100%
Classroom Teachers =	10%

Finding: Delaware Code Title 14, Chapter 13 states that a principal is entitled to an additional annual amount for administrative responsibility. This amount is based on a responsibility index which is specifically outlined in subsection (a), (b) and (d) of 1305 Delaware Code, Title 14.

It is our determination that two principals were incorrectly paid with a responsibility index of 1.13 instead of 1.12 as outlined in the Code. Due to the District not reconciling its Division I Units by School to principal salary calculations, State funds were overcharged a total of \$1,101. It is our determination that this error could have been prevented with a more thorough review process of tracking salaries to the State's general fund.

It is further our determination that the District undercharged State funds a total of \$22,504 and overcharged local funds the same amount due to split coding input errors on the part of the District for the salaries of one director and seven teachers sampled.

Recommendation: It is our recommendation that at the beginning of each fiscal year the District reconcile its Division I Units by school to the salaries of principals within the District to ensure the appropriate index value is being used.

It is further our recommendation that District contact the DOE and determine if the \$1,101 can be forgiven due to the underused State funds. Furthermore, the District should review all split funded salary positions to ensure both State funds and local funds are being charged appropriately.

District Response: The District has established a procedure to reconcile its Division I Units by school to make certain that the appropriate index value is utilized to determine principals' salaries. The District has further established a procedure utilizing Data Service information to determine Division I Units by object code reconciled monthly. The District intends to work with the DOE to request a reimbursement to our local funds totaling \$22,504, and a repayment to the state of \$1,101.

OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

Agreed-Upon Procedure Number 1: Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

Finding: The District chose not to request a waiver from the DOE.

Agreed-Upon Procedure Number 2: Review expenditure documents to determine if FY05 and FY06 occupational-vocational funds expended from July 1, 2005 through June 30, 2006 were (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS).

Finding: All expenditures, relating to FY05 and FY06 occupational-vocational funding, were determined to be (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in DFMS.

Agreed-Upon Procedure Number 3: Review financial records to determine if FY05 and FY06 occupational-vocational funds were properly allocated to and spent by the schools within the District that generated the funding.

Finding: Chapter 14 of DE Code Subsection 1706 entitled "Determination of Amount of Division II Appropriation" states that Division II funds (occupational-vocational funds) with the exception of Division II – energy funds, shall be allocated to each school that generates these funds and expended to support State-approved occupational-vocational courses and programs at that school.

It is our determination that FY05 occupational-vocational funds were properly allocated but due to District oversight Meredith Middle School and Middletown High School spent more than their allocations and as a result Redding Middle School spent less than their allocation.

The following is a partial summary of FY05 occupational-vocational funds by school:

School	Amount of Funding		Over/(Under)
	Allocated	Amount Expended	
Meredith Middle	\$ 19,966	\$ 20,896	\$ 930
Middletown High	100,879	102,540	1,661
Redding Middle	<u>16,365</u>	<u>13,742</u>	<u>(2,623)</u>
	<u>\$ 137,210</u>	<u>\$ 137,178</u>	<u>\$ (32)</u>

It is further our determination that during FY06 the District office expended \$1,627 of FY06 occupational-vocational funds. Occupational-vocational funds are to be allocated to the school that generates these funds. The District office did not generate these funds and therefore, was not entitled to expend them.

Recommendation: It is our recommendation that the District implement policies and procedures which closely monitors the spending of occupational-vocational funds by school to comply with Chapter 14 of DE Code Subsection 1706.

It is further our recommendation that in order to comply with Chapter 14 of DE Code Subsection 1706 the District repay from local funds, \$2,591 to appropriation 0265-05 and make those funds available to the school that generated the FY05 occupational-vocational Division II funding. In addition, the District should recode the District's FY06 occupational-vocational expenditures of \$1,627 and make those funds available to the schools that generated the FY06 occupational-vocational Division II funding.

District Response: The District has initiated a procedure to monitor the spending of occupational-vocational funds by school to prevent future misappropriations through the Data Service Center. The District will establish a repayment from local funds in the amount of \$1,647 in FY06 0265 and make those funds available to the schools that generated the FY06 occupational-vocational Division II funding. Regarding FY05 0265 occupational-vocational funds that were overspent by Meredith Middle School and Middletown High School totaling \$2,591, the FY05 fiscal year has closed and is not currently available. If the Department of Education recommends re-opening the 0265-05 appropriation the District would then establish a repayment between the three schools affected.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

Ballint, Lyons & Shuman, P.A.

December 29, 2006
Wilmington, Delaware